

Message Text

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70

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EA-07

AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

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R 101425Z OCT 75

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 9252

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY OSLO

AMEMBASSY SEOUL

AMEMBASSY STOCKHLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EEWT, EFIN, KN, FI

SUBJECT: NORTH KOREAN DEBT TO FINLAND

REF: STATE 190188; HELSINKI 0386; STOCKHOLM A-44 DTD

FEB 11, 1975

1. NORTH KOREAN DEBT REPAYMENT CONTINUES TO BE TOPIC
OF INTEREST IN FINNISH PRESS. NORTH KOREAN TRADE
DELEGATION VISITED FINLAND DURING THIRD WEEK OF
SEPTEMBER TO NEGOTIATE MORATORIUM ON 100 MILLION
FINNMARKS (25 MILLION DOLLARS) DEBT FOR PAPERMAKING
MACHINERY BOUND FROM FINLAND.

2. ACCORDING TO CONSERVATIVE PAPER UUSI SUOMI
FINLAND HAS NOT APPROVED MORATORIUM ON NORTH KOREAN
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DEBT. UUSI SUOMI REPORTS AHT EVEN AFTER NEARLY A

WEEK OF NEGOTIATIONS, FINNISH SUPPLIERS STILL INSIST ON FULL PAYMENT FOR PAPERMAKING MACHINERY ACCORDING TO ORIGINALLY AGREED TERMS.

3. MFA OFFICIAL TOLD EMBOFF THAT FINLAND IS ONE OF THE FEW WESTERN COUNTRIES WHICH HAS NOT YET HAD TOO MUCH DIFFICULTY WITH NORTH KOREAN DEBT REPAYMENTS. THE TERMS OF THE NORTH KOREAN-FINNISH TRADE AGREEMENT ARE SUBJECT TO A CERTAIN DEGREE OF INTERPRETATION CONCERNING PAYMENT SCHEDULES. THE NORTH KOREANS HAVE THUS FAR MADE PAYMENTS FAIRLY MUCH ON TIME.

4. SAME MFA OFFICIAL SAID THAT THE CENTRAL QUESTION BETWEEN FINNS AND NORTH KOREANS IS RESPONSIBILITY FOR DAMAGE CAUSED BY WEATHER TO FINNISH PAPERMAKING MACHINERY IN NORTH KOREA. LACK OF ADEQUATE STORAGE FACILITIES HAS CAUSED AT LEAST SOME DAMAGE TO MACHINERY. NORTH

KOREANS FEEL THAT FINNS SHOULD BEAR PART OF THE BURDEN FOR DAMAGE. FINNS THINK THAT ONCE NORTH KOREANS TOOK DELIVERY OF MACHINERY THEY ALSO TOOK ON RESPONSIBILITY FOR ITS PROPER PROTECTION.

5. ACCORDING TO THE ORIGINAL AGREEMENT ABOUT 200 FINNS WOULD HAVE SUPERVISED INSTALLATION OF MACHINERY. NORTH KOREANS ARE NOW TALKING ABOUT INSTALLING EQUIPMENT THEMSELVES. FINNISH EXPERTS FEEL THAT NORTH KOREANS BY THEMSELVES CAN BUILD PAPER MILL WITH ONLY A FRACTION OF PLANNED CAPACITY. WEATHER-DAMAGED PARTS WILL HAVE TO BE REPLACED WITH SPARE PARTS FROM FINLAND WHICH WILL PROBABLY DELAY ACTUAL OPERATION OF PAPER MILL BY AS MUCH AS TWO YEARS EVEN AFTER INSTALLATION OF MACHINERY.

6. FINNISH FIRMS ALHSTROM OY AND RAUMA-REPOLA OY HAVE DELIVERED 70 MILLION FINNMARKS WORTH OF MACHINERY TO NORTH KOREA. BOTH FIRMS HAVE TOLD EMBOFF THAT NORTH KOREAN DEBT IS NOT IN ARREARS. IF NORTH KOREA SHOULD DEFAULT ON PAYMENT, BOTH LIMITED OFFICIAL USE

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FIRMS ARE PROTECTED BY EXPORT GUARANTEES WHICH COVER 80 PERCENT OF COST. IF FOR SOME REASON NORTH KOREA IS UNABLE TO PAY FINNS FOR MACHINERY, FINNISH GOVERNMENT STANDS TO LOSE THE MOST.
BRENNER

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